

# Principal Technologies Inc.

## Management's Discussion and Analysis

### First Quarter - October 31, 2024

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The following discussion is management's discussion and analysis ("MD&A") of the operating results and financial condition of Principal Technologies Inc. (the "Company") and should be read in conjunction with the accompanying unaudited condensed interim consolidated financial statements and related notes for the three months ended October 31, 2024 and 2023. The preparation of financial data is in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board and follows the same accounting policies and methods of application as the Company's most recent audited consolidated annual financial statements. All figures are reported in Canadian dollars unless otherwise indicated.

The effective date of this report is December 27, 2024.

#### **Cautionary Statement on Forward Looking Information**

This MD&A contains forward-looking statements that involve risks and uncertainties. Such information, although considered to be reasonable by the Company's management at the time of preparation, may prove to be inaccurate and actual results may differ materially from those anticipated when the forward-looking statements were made.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance, or achievements of the Company to be materially different from any future results, performance, or achievements expressly stated or implied by such forward-looking statements. Such risks, uncertainties and other factors include, but are not limited to the following: the ability of the Company to identify prospective healthcare technologies which satisfy its investment criteria; the ability to invest in healthcare technologies on suitable terms and conditions; changes in technology platforms and delivery systems impacting the Company's products; changes in government and associated agency regulations impacting the health care business; healthcare product development and technical risks; healthcare product pricing and market competition; commercial viability and litigation risks; fluctuations in the equity markets that affect the Company's ability to raise additional capital; changes in government and associated agency regulations that impact the ability of the Company to raise additional capital; and the overall state of equity markets for smaller capitalization companies.

#### **Overview**

The Company is domiciled in Canada and was incorporated on April 3, 2018 under the laws of the Province of British Columbia. The address of the Company's registered and records office is 25th Floor, 700 W Georgia St., Vancouver, British Columbia, V7Y 1B3.

On August 4, 2021, the Company completed a qualifying transaction pursuant to the policies of the TSX Venture Exchange ("TSXV") and commenced trading as a Tier 2 Life Sciences Issuer on the TSXV on August 6, 2021 under the ticker symbol "PTEC". The Company is currently building a diverse portfolio of investments in healthcare technology organizations with a focus on those with global distribution potential which have intellectual property capable of enhancing medical treatment quality, cost efficiency, optimizations of the patient pathway, and implementation of point of care technologies.

The Company's operations are a result of its 80% owned subsidiary E&E CRO Consulting GmbH ("E&E") of Vienna, Austria.

As at October 31, 2024, the Company had working capital of \$632,928. The Company recorded a comprehensive loss of \$559,823 during the three months ended October 31, 2024, and had total shareholders' equity of \$956,423 as at October 31, 2024.

There are conditions that cast significant doubt on the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on management's capacity to identify additional sources of capital and to raise sufficient resources in order to fund on-going expenditures and the Company's investment plan. Although management has been successful in the past, there is no assurance these initiatives will be successful in the future. In order to fund future operations or acquisitions, the Company intends to raise additional capital by issuing equity.

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#### Highlights and Outlook

On February 6, 2024, the Company entered into an arm's length binding share purchase agreement to acquire 100% of the equity interests of Vivostat A/S ("Vivostat"), a 23 year old Danish company which produces and sells a unique autologous fibrin sealant solution for post surgical use.

The Company will pay approximately €7,500,000 in cash plus 2,500,000 common shares in the capital of the Company to the owners of Vivostat, as adjusted under the share purchase agreement.

The proposed acquisition of Vivostat by the Company will result in a significant increase in revenues, operations and corporate activities and provide a platform for future growth and profitability. To the date hereof, the Company has not received the funds to complete this transaction.

Subsequent to the end of the First Quarter, the Company announced it had entered into a letter of intent to purchase a 70.7% equity interest in Syndermix AG which is a Swiss based medical research and applications developer. This proposed acquisition is significant and would result in the issuance of 36,000,000 common shares of the Company and net notes payable of \$15.3 million which pay interest at 5% per annum. Please refer to the Subsequent Events section of this MD&A for more details about this proposed acquisition.

#### Business Operations and Investments

##### VIVOSTAT PENDING TRANSACTION

On February 6, 2024, the Company entered into an arm's length binding share purchase agreement to acquire 100% of the equity interests of Vivostat, a 23-year old Danish company which produces and sells a unique autologous fibrin sealant solution for postsurgical use.

The Company will pay approximately €7,500,000 in cash plus 2,500,000 common shares in the capital of the Company to the owners of Vivostat, as adjusted under the share purchase agreement.

On March 8, 2024, the Company entered into a binding commitment with a European fund that will provide a secured loan in the principal amount of €8,000,000 (the "Loan") to provide acquisition financing with respect to the cash portion of the purchase price for Vivostat, and for general working capital purposes.

The terms of the Loan include:

- The secured loan shall be provided to the Company by the Lender on a lump sum basis;
- interest rate of 12.00% per annum on the principal amount outstanding, payable up to and including the date which is six years after the initial advance under the Loan (the "Loan Maturity Date");
- Interest will be payable quarterly and principal amount payable in 20 quarterly installments;
- Principal amount and interest in the first year shall not be paid until the Loan Maturity Date;
- The loan will be secured by, among other things, a pledge of all the shares acquired in Vivostat; and
- Payment shall be permitted in full or in part with a 6% prepayment penalty on the prepaid amount. The Loan provides full financing for the Company to close the Vivostat acquisition, and after final adjustments any remaining funds will be utilized by the Company for working capital purposes.

In the event the Company does not complete the purchase transaction, within a certain timeline, the seller is entitled to a fee of €125,000. As at July 31, 2024, the Company had advanced €100,000 to its lawyer in trust for payment of this fee. This amount is shown in prepaid expense and deposit as at July 31, 2024.

On November 8, 2024, the Company paid the fee of €125,000 to the seller. As at the date hereof the Company has not received the funds to complete this transaction, and the purchase of Vivostat has not closed.

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**Summary of Quarterly Results**

	Q1 2025	Q4 2024	Q3 2024	Q2 2024
	\$	\$	\$	\$
Revenue	107,584	136,703	176,285	174,734
Comprehensive loss	(559,823)	(270,528)	(546,218)	(555,320)
Basic and diluted loss per share attributable to the company	(0.02)	(0.01)	(0.02)	(0.01)

  

	Q1 2024	Q4 2023	Q3 2023	Q2 2023
	\$	\$	\$	\$
Revenue	176,305	133,406	116,355	90,982
Comprehensive loss	(189,475)	(594,321)	(108,821)	(127,166)
Basic and diluted loss per share attributable to the company	(0.01)	(0.03)	(0.01)	(0.01)

The quarter ends of the Company are October 31<sup>st</sup>, January 31<sup>st</sup>, April 30<sup>th</sup> and July 31<sup>st</sup> of each fiscal year.

The Comprehensive loss for Q1 2024 increased over the prior quarter. Quarterly revenues for the current quarter decreased slightly as compared to the prior quarter. The loss for Q1 2025 increased due to \$362,157 in share based-compensation expense, as the Company granted 2,425,000 conditional share options.

**Overall Performance and Results of Operations**

Cash decreased by \$287,863 during Q1 2025 and totaled \$566,159 at October 31, 2024. Cash used in operating activities was \$364,111 and lease payments were \$9,982.

**Three months ended October 31, 2024 and 2023**

Revenues decrease slightly for the first quarter of 2024 as compared to the prior year quarter.

During Q1 2025, the comprehensive loss of \$559,823 was substantially higher than the \$189,475 reported for 2024. This increase was largely attributable to additional stock based compensation expense in Q1 2025 when a new 20% fixed stock option plan was adopted and additional conditional stock options were issued.

**Liquidity and Capital Resources**

As at October 31, 2024, the Company had a working capital of \$632,928 and cash of \$566,159 to settle current liabilities of \$355,525. The Company recorded a comprehensive loss of \$559,823 during the three months ended October 31, 2024 and had total shareholders' equity of \$956,423, which includes \$60,530 of non-controlling interest, as at October 31, 2024. These conditions cast significant doubt on the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on management's capacity to identify additional sources of capital and to raise sufficient resources in order to fund ongoing expenditures and the Company's investment plan. Although management has been successful in the past, there is no assurance these initiatives will be successful in the future.

**Outstanding Share Data**

As at the date of this report, 37,574,611 common shares are issued and outstanding, 6,715,000 share options are outstanding and exercisable and 7,307,244 warrants are outstanding and exercisable.

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On July 11, 2023, the Company adopted a new 20% fixed share option plan (the "New Option Plan"). The New Option Plan reserved for issuance 4,575,092 common shares of the Company and was approved by the TSXV and the Shareholders' of the Company. The New Option Plan was approved by shareholders on December 12, 2023.

Under the New Option Plan, the maximum term of each option shall not be greater than ten years. The exercise price of each option shall not be less than the market price of the Company's shares at the date of grant. Options granted to consultants performing investor relations activities shall vest over a minimum of 12 months with no more than 1/4 of such options vesting in any three-month period. All other share options vest at the discretion of the Board of Directors.

On August 4, 2021, the shareholders of the Company approved an annual performance fee payable to a company owned by the CEO of the Company. The annual performance fee would result in the issuance of common shares of the Company if the market price of the shares on the TSXV increased during a calendar year. This annual performance fee was superseded by the adoption of the New Option Plan.

On September 16, 2024, the Company granted 925,000 conditional share options to certain officers and consultants of the Company. The conditional options vested immediately and are exercisable at a price of \$0.16 per share until September 16, 2034. The Company also granted 1,500,000 conditional share options to the CEO of the Company. The conditional share options vested immediately and are exercisable at a price of \$0.16 per share until September 16, 2034. Using the Black Scholes Model, the grant date fair value was \$362,157, or \$0.15 per option. The following weighted average assumptions were used for the valuation of the share options: riskfree interest rate of 2.77%, expected life of 10 years, annualized volatility of 112% and dividend rate of 0.00%.

Exercise of the total 2,425,000 conditional share options is subject to both shareholder and TSXV approval.

## Related Party Transactions

### Key Management Compensation

Key management personnel include those persons having authority and responsibility for planning, directing and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors (the "Board") and corporate officers.

Remuneration of key management personnel was as follows:

	October 31 2024	October 31 2023
	\$	\$
Consulting and management fees	59,406	98,249
Directors fees	5,842	2,938
Share-based compensation	280,018	-
	345,266	101,187

As at October 31, 2024, there is \$96,323 (July 31, 2024: \$90,251) owing to key management personnel recorded in accounts payable and accrued liabilities. The amount consists of accrued director fees of \$88,842 (July 31, 2024: \$82,967) and amounts owing to the CEO and CFO for monthly services of \$7,481 (July 31, 2024: \$7,284).

## Risks and Uncertainties

The Company is subject to a number of risk factors due to the nature of the business in which it is engaged, including risk factors relating to E&E's current business. Risk factors relating to the Company include, but are not limited to, the factors set out in the Filing Statement dated July 21, 2021 and the Cautionary Statement on Forward Looking Information.

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#### **Critical Accounting Policies and Estimates**

The Company has prepared the accompanying financial statements in accordance with IFRS. Significant accounting policies are described in Note 3 of the Company's most recent audited annual financial statements.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates.

#### **Financial Instruments**

##### *Financial Risk Management*

Cash and the Investment are recorded at fair value through profit and loss. Amounts receivable, prepaid expenses and deposit, and amounts payable and accrued liabilities are recorded at amortized cost which approximates fair value due to the short-term nature of these instruments.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets and liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

As at October 31, 2024, the Company did not have any financial assets and liabilities which are measured at fair value on a recurring basis, other than cash and the investment. There were no transfers between Level 1, 2 or 3 during the quarter.

#### **Management's Report on Internal Control over Financial Reporting**

In connection with National Instrument ("NI") 52109 (Certification of Disclosure in Issuer's Annual and Interim Filings) adopted in December 2008 by each of the securities commissions across Canada, the CEO and CFO of the Company will file a Venture Issuer Basic Certificate with respect to the financial information contained in the condensed unaudited consolidated quarterly financial statements and accompanying MD&A.

The Venture Issuer Basic Certification does not include representations relating to the establishment and maintenance of disclosure controls and procedures.

#### **Subsequent Events**

- a) On November 22, 2024, the Company issued 363,500 common shares at \$0.25 each to settle debts of \$90,875 due to arms length parties. The common shares are subject to a four month plus one day hold period from the date of issuance.
- b) On November 26, 2024, the Company completed a private placement of 342,484 units at \$0.25 each for gross proceeds of \$85,621. Each unit consists of a common share of the Company and a warrant entitling the holder to purchase an additional share of the Company for a period of two years. The common shares are subject to a four month plus a day holding period from the date of issuance.

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- c) On December 11, 2024 the Company announced that it signed an arm's length nonbinding letter of intent ("LOI") to acquire a controlling interest in the equity of Syndermix AG ("Syndermix"). Syndermix is a Swiss based medical research and applications developer with 100% interests in three significant medical technologies (the "Medical Assets"). A summary of Syndermix and the LOI is as follows:
- The Company will purchase a total 70.7% equity interest in and all loans to Syndermix from two arms length sellers in a transaction valued at \$44.0 million.
  - The purchase price for the 70.7% equity interest will be satisfied by the issuance of loans to the sellers totaling \$15.3 million and the issuance of 36,000,000 common shares of Principal valued at \$0.50 per share.
  - The Company will also purchase at face value a loan receivable for \$10.7 million from a seller for intercompany amounts due from Syndermix. At closing, Syndermix will have no other debt and a working capital of nil.
  - The total \$26 million of loans will bear interest at 5% per annum and mature four years after issuance. The payment of accrued interest is deferred until loan maturity. Payment of any loan interest or principal will be limited to the net cash flow from operations generated by Syndermix from the Medical Assets.
  - As a result of the acquisition, Swiss based ESGTI AG will become a major shareholder of the Company.

The three proprietary medical assets of Syndermix, BioEleSonic, Noxogen Therapeutics and TheraLect are at various stages of development and commercialization. The acquisition is subject to the Company's final due diligence, the negotiation and execution of definitive agreements and the requisite Board of Directors and TSXV approvals.

#### **Additional Information**

Additional information relating to the Company is available on SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).